

The Ten Commandments of Buying a Business

If you have any doubt whether you can follow these ten rules with a business you are thinking of buying, move on to the next business. These commandments cannot be bent, broken or avoided. Any business you buy must pass muster on all ten, with no exceptions. But when you find a business that does that, consider it a golden opportunity. With you at the helm, the venture is certain to grow and flourish.

1) Pay for the past, consider the present, but buy for the future.

The past financials about the company you are buying will help determine the purchase price, but they do *not* guarantee what the business will look like in the future. You must evaluate the business with utmost care to understand what it can provide you with after the purchase.

2) Buy a good business that you can make great.

Buying a cheap business is like buying a bad used car. You'll spend all of your time trying to patch "leaks" and have little or no time left to build the business. Instead, buy a solid business, and grow it from there.

3) Remember that ingredients are nothing without a recipe.

After you purchase the business, can you put all of its parts together into one cohesive unit poised for growth? What is your plan, and at what cost?

4) Fall in love with the profit, not the product.

If you get too emotional about the business before you buy it, your judgment will be clouded forever. Remain objective.

5) Buy a business that lets you do what you do best.

It should let you use your greatest strengths, not pull you away from them.

6) Look for a company that offers ‘autopilot’ and ‘cruise control.’

To a greater or lesser degree, the business should be capable of running on its own so you can focus on building profits. If you have to be too hands-on, you risk getting a business that will get stuck in place.

7) Find the hidden gold.

Nearly all businesses possess certain components that the current seller has not exploited. You need to be able to identify and exploit them.

8) Buy a business you can talk about compellingly.

First, you must be able to explain it in simple terms to others. Second, you must be able to explain it with great enthusiasm. Third, it must make you very proud.

9) Evaluate and identify what is not perfect yet.

No business is perfect. Each one needs attention. But there is opportunity in the faults, because the smallest improvements often yield the greatest results.

10) Know specifically what the business is worth to you.

After all, there are great businesses that should not be bought by you, but by someone else. Only you can evaluate the personal benefits of the venture.